

RadioShack Corporate Strategy

Nate Snyder

Siena Heights University

**Abstract**

The following will explain how corporate strategy principles taught in a collegiate setting can be applied to the real world RadioShack Corporation. Tools such as a SWOT analysis will be used to identify areas of strength and opportunity with supporting evidence of the organizational impact. A personal RadioShack employee interview supplements the material with actual ideas that are a result of a well published strategy. It is concluded that one needs not to go to the corporate level to get information on strategies when line level employees can show how they are used on a daily basis.

## **Introduction**

The current market demands a special touch. It requires a very strong reason to choose where consumers will shop and ultimately make their purchases. RadioShack has taken grasp of this principle and created a strategic business plan to meet the needs of the modern electronics user. The following will explain how RadioShack fulfills its slogan of “At the new RadioShack, It Can Be Done, When We Do It Together.” (RadioShack 2014) A recent interview of a RadioShack employee will help demystify the corporate sales strategy and provide first person insight on its effectiveness.

## **Mission**

Electronics retail is a completely saturated market. To makes thing even more competitive, physical stores now have to compete with online vendors that have lower overhead and can thus offer lower prices. This is why it is important for a company such as RadioShack to have a defined mission statement that can help set them apart from the competition. The mission statement of RadioShack is: "Through its convenient and comfortable neighborhood stores, knowledgeable sales associates help customers get the most out of their technology products." (Retailindustry, 2014) This statement is not what one would expect from top end electronics companies. It also does not mention anything about their product line. What it does say is something very important using tag words and phrases such as, convenient, comfortable, knowledgably, and customers get the most. These are words that cannot be associated with online retailers and are often not portrayed by the big box opposition. It specifically targets the customer that wants to have, “A Smart Friend” (Shack, 2014) Friendships are personal and often face to face and this is what Radio Shack wants to achieve in the customers sales experience.

### SWOT Analysis

The basis of many organizations strategic plan is to conduct a Strength, Weakness, Opportunities, and Treats analysis (SWOT). The SWOT analysis helps explain some of the factors that a company excels in as well as factors that need attention to be improved and considers the external environment that effects the organization. In the case of RadioShack only the most prominent factor in each category will be discussed and they can be

viewed in the table FIG. (1) below. The findings of the analysis will be discussed in the paragraphs following.

FIG. (1) RADIOSHACK SWOT ANALYSIS		
	HELPFUL	HARMFUL
	STRENGTH	WEAKNESS
INTERNAL	KNOWLEDGABLE SALES ASSOCIATES	EMPLOYEE TURNOVER
	OPPORTUNITY	THREAT
EXTERNAL	FOCUS ON THE ENVIRONMENT	LACK OF NEW PRODUCTS

### Ethical Principles

#### Recycling

As a leading retailer of electronic products made mainly from non-biodegradable materials, RadioShack has taken a strong stance on recycling. It is one of the ways that the Shack tackles the external opportunity of the Earth’s environment. Customers can participate in battery recycling and all locations offer a simple drop off of rechargeable batteries at no cost. In some areas RadioShack is one of the only places to take in old batteries. “The Product Stewardship Institute estimates that more than 10 million batteries are sold in Vermont each year. However, there are very few recycling programs available to consumers”.

(Environmentalleader 2013) RadioShack essentially provides a public service in this way. In partnership with Call2Recycle®, the batteries are securely packaged and sent for remanufacture.

This process allows RadioShack employees to educate customers on the uses and necessity of rechargeable batteries because alkaline cannot currently be recycled. While helping impact the environment the corporation also benefits from an opportunity to sell rechargeable batteries and create a stronger customer bond. This impacts the battery sales strategy that will be later discussed.

### **Recycling Through Trade in & Save**

Equally as important as recycling batteries is recycling old electronics. Through the RadioShack Trade in & Save (Trade) program customers are able to trade in their old electronics for store credit towards new items. The use of the program has two goals; to help keep electronics out of landfills and to boost sales. Traded electronics are salvaged to collect valuable materials such as platinum and gold, in very minute amounts, and almost all of the other components can be scraped for reuse. Many people would gladly give up their outdated items in trade for something newer and feature rich. According to a Shack sales associate,

“We get a lot of people who are just browsing and we use the Trade in & Save program as a conversion tool. The goal is to get them to tell you what they don’t like about their old stuff so that you can excite them with the opportunity of something that better fits their needs. The program helps us get them off the fence and to the counter.” (Shack, 2014)

Customers are likely to spend at least 50% more than the value of their store credit towards new items. All employees are taught to explain Trade in & Save to each and every customer as it helps represent the new RadioShack image.

The Trade in & Save program is more importantly used to meet Radio Shack cellular sales strategies. In the case of cell phones, which are the bread and butter of the RadioShack

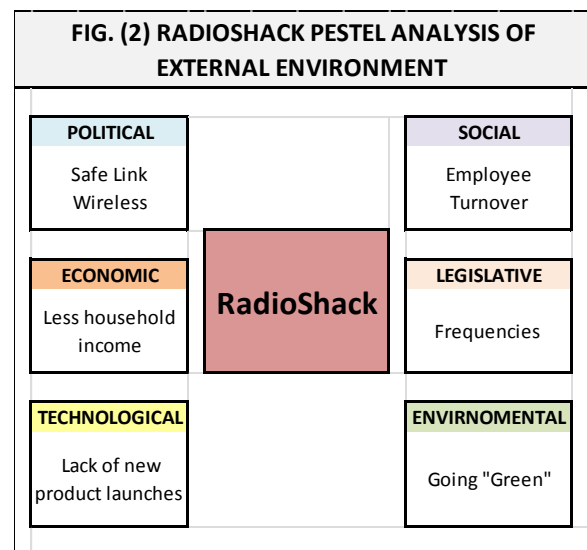
business, weekly adds often offer special trade in deals towards the latest models. In some instances customers get much more than the private party resale value of their phone which is very enticing for new sales. At the date of this publication, the current Trade offer was that customers could trade their iPhone 4 for \$100.00 in store credit. The iPhone 5s, a much better model, was selling for \$750.00 for customers with 2 year contract upgrade eligibility. The offer thus allowed the customer to get the latest smart phone that retailed for \$750.00 for free! Along with the sale of the cellular phone device comes the renewal of the customer's contract with their carrier. RadioShack receives hundreds of dollars from cellular carriers such as Verizon for each cellular contract that is renewed. This results in a sale totaling over \$1000.00 in revenue per phone.

The third and often overlooked value of the Trade in & Save program is the opportunity that it creates for add on sales. The Trade offers are based on the quality of the product at the time of trade in and parameters such as screen scratches and the condition of the housing are considered. Cell phones credit values can vary up to \$50.00 based on these factors. The following is an example of how this information is conveyed to customers and how it helps create add on sales. Drawing on the previously mentioned iPhone deal, the customer is getting a free phone. The fine print does point out condition rules on the old phone that is being traded. With this in mind, employees can push the value of a cell phone case with a screen protector to keep the new iPhone in top condition. With the phone properly protected the customer can enjoy another free phone in the future by again taking advantage of the program.

**PESTEL**

One of the ways to understand RadioShack’s external environment is through the use of a PESTEL chart. The chart shown in FIG (2) defines the major influences of the Political, Economic, Social, Technological, Environmental and Legislative atmospheres. Strong opposition from the free government cellular phones supplied by Safe Link Wireless to low income families contributes to more pressure on the value propositions to pre-paid cell phones. The most threatening part of the environment is that there is general lack of new products to be purchased that have notable features not offered by previous models. This is partly due to a lack of available frequencies for new cellular

devices to operate on. It is also why the for mentioned Trade In & Save plan is so crucial to new sales. As noted in the Recycling section, RadioShack actually uses the environmental forces to its advantage. Lastly, the social acceptance of high employee turnover will be discussed in future sections.



**Vertical Integration**

**Stage Three – Manufacturing and Alliances**

RadioShack has an entire line of RadioShack branded products sometimes also called Accurian or Percidian. They range from simple resistors and wires all the way up to speaker systems and home theater equipment. Although they are branded RadioShack, most of these

products are actually the result of alliances that they have made with companies such as KLH, Monster, Cyber Acoustics, and iHome. A savvy shopper will find this easy to spot because likewise models from both Radio Shack and their partners can sometimes be found in the same stores. In terms of strategy though, they are buying these items at a lower cost resulting in a higher profit margin.

There is one item that is manufactured specifically for RadioShack and that is their line of batteries. They are currently made by Duracell but have a special formula that actually outperforms the Duracell branded equivalent. Batteries are a major part of the Shack corporate strategy in that they generate almost 90% margin and increase the basket. The basket metric refers to how many items are sold in each transaction. Batteries are offered each and every time a customer completes a sale because of their incredibly large impact on the bottom line. They are so significant that they are often featured on the front page of the weekly add and are strategically placed at various locations around the stores near products that require them.

#### **Stage Four - Sales**

The majority of retail establishments including RadioShack operate as downstream industries in the stage four marketing and sales arena. They are the middle man between the manufacturer and the customer and exist to educate and entice the customer to purchase. The Resources of RadioShack are largely spent on training of sales associates and building attractive store displays.

#### **Stage Five – After Sales Service**

This is an area that many companies such as RadioShack are striving to achieve. It often deals with extended service plans and warranties that can pull nearly 80% margins. After Sales



and Service are crucial to the corporate strategy of RadioShack and they will be discussed in the following section.

## **Diversification**

### **RadioShack DIY**

Drawing on RadioShack's statement, "It Can Be Done, When We Do It Together" as explained in the introduction, the Shack has diversified its product line to include new electronics for the hobbyist. The roots of the company were strongly anchored in such items in the past but RadioShack had cut back the line to make space for items like MP3 players. Now that MP3 player is an extinct piece and that there is a lack of new must have items, the Shack is focusing on its roots. RadioShack Do it Yourself (DIY) is the new strategy to attract a younger crowd of the up in coming electronics hobbyists. They have an entire website and Facebook page dedicated to it with how to videos and printable instructions. Customers can come to the stores with a printed parts list and find a section that is clearly dedicated to the DIY projects. This strategy is quite different from their cellular leader push for the last 10 years and is expected to widen their customer base by also pushing into younger audience channels like Twitter and Instagram.

### **Core Products**

The electronics industry varies with the seasons so it is important for RadioShack to have a wide variety of products. Although cell phones are still the core products range from home entertainment, video gaming, computers, sound equipment, musical instruments, weather radios, portable power and much more. Most stores have a daily budget of under \$3000.00 in revenue so sometimes even the hundred dollar items can have a big impact. "March is kinda slow. There

are no holidays, everyone has already spent their tax return money, and guys are still broke from Valentines days. We shift and sell lots of weather radios for storm season and portable speakers and headphones to those on the spring work out kick.” (Shack 2014) Based on the for mentioned quote, It is evident that the range of products offered help stores make it through the low sales points of the year.

### **#!+\* Happens**

Electronics are susceptible to damage. RadioShack recently launched the #!+\* Happens (also known as It Happens) service plans to cover these unforeseen problems. The plan is essentially an extended warranty for a period of time defined at the point of sale. It differs from the standard warranty in that it also provides coverage from damage. Warranty’s and service plans are traditionally hard to sell but have an excellent profit margin pulling over 80%! The Shack sales associates use value propositions to attach the service to the product. The significance of the in store warranty exchange is their main selling point. By allowing customers to deal directly with the sales people who have established rapport, RadioShack offers a much more personal sales experience. The associates are able to create strong customer retention in providing this service thus guaranteeing return visits.

### **It Happens Guaranteed Trade In**

To further the value of the It Happens plan, customers are allowed to exchange covered products in the future for store credit towards upgrades. Along with being a major benefit to the customer it helps ensure that the customers will be returning for an upgrade. Since they can receive up to 50% of the retail purchase price of their product on trade in they are more likely to upgrade outside of the typical two year period. This fills the void often created by contract phone sales where customers are essentially stuck with their phone. More importantly, the plan

is self-fulfilling in that customers who take advantage of the trade will also purchase the plan on their new replacement product.

The It Happens plans fit the company slogan, "It Can Be Done, When We Do It Together," because it truly allows the customer and the sales person to deal with the future together. It Happens is a vital link to ensure customer satisfaction and serves as the corner stone to lasting customer relationships. They are a significant part of the RadioShack strategic plan in that they fulfill multiple customer needs and reflect the mission to help customers get the most out of their purchases.

### **Adverse Reactions To Service Plans**

No matter what the implied value, the culture has painted an ugly face on service plans as an add-on purchase. "Buying a service plan may not only duplicate coverage you already have, but it sends manufacturers a message that limiting their express warranties will increase the sale of service plans. You shouldn't have to pay extra to get manufacturers or retailers to stand behind their products". (Consumer Reports 2014) There are numerous articles and consumer blogs that highlight the many times that people have had a negative experience. This is where RadioShack must draw on its crucial strength of knowledgeable sales associates. By becoming the smart friend, the sales people are highly skilled at overcoming objections by injecting value propositions such as those explained in the past paragraphs. The key point is to show that their superior knowledge and established report outweigh the reasons not to purchase the plan. Even the naming of the plan "#!+\* Happens" sounds more like something ones friend would say and less legal than the word warranty. The Shack employees even practice not using the words service and warranty to pull the consumers thoughts to the positive values. The best part of the whole process is that the plan is actually very customer centric and will influence fulfilled

purchases in the future. Overcoming objections with superior knowledge is one of RadioShack's strongest attributes to their strategic plan.

### **Employee Turnover**

The current social norm for workers seeking to achieve higher levels of pay is to work at a company for only three years and then move on. This becomes particularly problematic in companies that require highly skilled sales people to move their product. According to a 2013 study, "High turnover rates are linked to shortfalls in organizational performance" and "When retention is higher than normal, customer satisfaction, productivity, and profitability also tend to be higher than normal". (Catalyst 2013) Since RadioShack requires customer satisfaction to adhere to their mission, organizational performance at the employee level is highly monitored. Employees are rewarded both nominally and intrinsically for their performance. The social reward structure puts employees in competition with each other and those who achieve are recognized. Achievements are initially based on knowledge customer satisfaction levels and then move to sales volumes as employees become more competent in the business strategy. This increases retention in that the rewards meet all levels of capabilities and tenure. Some employees are even recognized for being specialist in an area and have rewards based on their master of the information instead of sales. The RadioShack strategic plan attacks the implied weakness of turnover with employee praise.

### **Conclusion**

It is evident that the strategies of companies are not simply open to the public. Often they require an actual employee to explain how they are used. In proof that its strategies are well adopted and applied, a line level Shack sales associate can explain them in detail. Employees of RadioShack appear to be versed in business principles that are also taught at the collegiate level

even though they all come from diverse educational backgrounds. They are highly skilled in applying the concepts of strategy and understand the impacts of the products and services that they offer. The results of this material show how ideas that are conceptual in a book can be used in a real life organization. According to a RadioShack employee, “I have an art degree but sell electronics. Somehow I feel like I should have studied marketing because I think I could teach it”! (Shack, 2014) Typical collegiate courses often fail to give personal examples and when the principles are explained by a user they vary only slightly from the printed text. The overall role of the RadioShack strategy can be encapsulated by the following final statement.

“I know that things like batteries and the It Happens program make lots of money for the Shack but I don’t care about that. I care about the fact that because we have a strategy and products geared towards my customers, I can be an ethical sales person. I sleep at night knowing that I actually made a positive impact on someone’s sales experience”. (Shack, 2014)

### References

Catalyst. (2013) Retrieved May 20, 2014 from: <http://www.catalyst.org/knowledge/turnover-and-retention>

Consumer Reports. (2014) Retrieved May 20, 2014 from: <http://www.consumerreports.org/cro/extended-warranties/buying-guide.htm>

Environmentalleader. (2013) <http://www.environmentalleader.com/2014/05/13/first-single-use-battery-recycling-law-passes/>

RadioShack. (2014) Retrieved May 25, 2014 from: <http://radioshackcorporation.com/company/>

Retailindustry. (2014) Retrieved May 25, 2014 from: <http://retailindustry.about.com/od/retailbestpractices/ig/Company-Mission-Statements/Radio-Shack-Mission-Statement.htm>

Shack. (2014) Unnamed RadioShack employee. Personal communication, May 11, 2014.